

90TH CONGRESS } 2d Session }	HOUSE OF REPRESENTATIVES {	REPORT No. 1766 }
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AMENDING THE CENTRAL INTELLIGENCE AGENCY  
RETIREMENT ACT

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JULY 22, 1968.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

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Mr. PHILBIN, from the Committee on Armed Services,  
submitted the following

R E P O R T

[To accompany H.R. 18786]

The Committee on Armed Services, to whom was referred the bill (H.R. 18786) to amend the Central Intelligence Agency Retirement Act of 1964 for certain employees, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of the bill is to bring the cost-of-living feature of the Central Intelligence Agency retirement system into consonance with other major Federal retirement systems. Specifically, as of January 1, 1967, it would increase annuities under the Central Intelligence Agency retirement system by the same percentage increase in force and effect for comparable annuities under the civil service retirement system. It also authorizes subsequent cost-of-living adjustments under the Central Intelligence Agency retirement system to be made under the same formula which applies to civil service annuities.

The first year cost of this bill is estimated to be \$142,700. In succeeding years the cost will be approximately \$90,000.

BACKGROUND

On August 11, 1966, this committee reported H.R. 16306, which in section 208 amended the Central Intelligence Agency Retirement Act cost-of-living provision to bring it into line with the new cost-of-living provisions which had been approved by the Congress for the benefit of retirees under the civil service system. H.R. 16306 was

approved by the House on October 3, 1966, but there was no further action before the close of the 89th Congress.

The Postal and Federal Employees Pay Act of 1962, (Public Law 87-793, approved in October 1962) established the first cost-of-living adjustment formula for the civil service retirement system. As a part of the cost-of-living adjustment concept that law also provided 1965 civil service retirees a 2-percent annuity adjustment (1 percent for 1966 retirees). No such adjustment was provided for personnel covered by the Central Intelligence Agency system.

In September of 1965 the civil service cost-of-living formula was changed by Public Law 89-205 so that the minimum period for measuring percentage increases to trigger an adjustment was compressed from 1 calendar year to 3 consecutive months. (Thus, an actual increase could occur after any 3 months of a 3-percent increase in the consumer price index as against the old requirement of an average 3-percent increase for a full calendar year plus a 3-month waiting period.)

Since 1965 three cost-of-living adjustments have been granted under the civil service retirement system, but only one increase has been authorized under the Central Intelligence Agency retirement system. The one cost-of-living increase granted under the Central Intelligence Agency retirement system amounted to 4.6 percent and was restricted to 1965 retirees and paid on April 1, 1967. This compares with increases in force and effect under the civil service system of 16.8 percent (cumulative) for 1965 retirees, 9 percent (cumulative) for 1966 retirees, and 3.9 percent for 1967 and some 1968 retirees.

This disparity is primarily due to the differences between the civil service and CIA formulas. The following charts illustrate the extent of this disparity, and show how the bill would eliminate it:

CHART 1.—COST-OF-LIVING ADJUSTMENTS TO AN ASSUMED \$6,000 ANNUITY FROM JULY 1, 1965

Date	Civil service—Existing law	CIA—Existing law	CIA—H.R. 18786
July 1, 1965	Annuity of \$6,000.	Annuity of \$6,000.	Annuity of \$6,000.
Do.	2-percent increase=\$120; Public Law 87-793, \$6,120.	None.	None.
Dec. 1, 1965	6.1-percent increase=\$373; COL adjustment (including 1.5 percent, Public Law 89-205), \$6,493.	None.	None.
Jan. 1, 1967	3.9-percent increase=\$353; COL adjustment; \$6,746.	None.	12.4-percent increase=\$744; COL adjustment; sec. 291(a)(1), \$6,744.
Apr. 1, 1967	None.	4.6-percent increase=\$276; COL adjustment; \$6,276.	Existing 4.6-percent increase; offset, sec. 291(c).
May 1, 1968	3.9-percent increase=\$263; COL adjustment; current annuity, \$7,009.	None; current annuity, \$6,276.	3.9-percent increase=\$263; COL adjustment; sec. 291(a)(2); current annuity, \$7,007.

CHART 2.—COST-OF-LIVING ADJUSTMENTS, TO AN ASSUMED \$6,500<sup>1</sup> ANNUITY FROM JULY 1, 1966

Date	Civil service—Existing law	CIA—Existing law	CIA—H.R. 18786
July 1, 1966	Annuity of \$6,500.	Annuity of \$6,500.	Annuity of \$6,500.
Do.	1-percent increase=\$65; Public Law 87-793; \$6,565.	None.	None.
Jan. 1, 1967	3.9-percent increase=\$256; COL adjustment; \$6,821.	Do.	4.9-percent increase=\$319; sec. 291(a)(1); \$6,819.
May 1, 1968	3.9-percent increase=\$266; COL adjustment; \$7,087; current annuity, \$7,087.	None; \$6,500.	3.9-percent increase=\$266; sec. 291(a)(2); \$7,085; current annuity, \$7,085.

<sup>1</sup> Amount of assumed annuity for 1966 is increased \$500 over the amount shown for 1965 in chart 1 to reflect probable increase based on higher high-5 average salary.

CHART 3.—COST-OF-LIVING ADJUSTMENTS TO BE ASSUMED \$7,000<sup>1</sup> ANNUITY FROM JULY 1, 1967

Date	Civil service—Existing law	CIA—Existing law	CIA—H.R. 18786
July 1, 1967	Annuity of \$7,000.....	Annuity of \$7,000.....	Annuity of \$7,000.
May 1, 1968	3.9-percent increase=\$273; COL adjustment; current annuity, \$7,273.	None; current annuity, \$7,000.	3.9-percent increase=\$273; COL adjustment; sec. 291(a)(2); current annuity, \$7,273.

<sup>1</sup> Amount of assumed annuity for 1967 is increased \$500 over the amount shown for 1966 in chart 2 to reflect probable increase based on higher high-5 average salary.

## EXPLANATION OF BILL BY SUBSECTION

Subsection (a) provides that increases shall be based upon determinations made by the Director pertaining to percentum changes in the price index.

Subsection (a)(1) authorizes effective January 1, 1967, percentage increases of annuities under the CIA retirement system equal to those in force and effect under the civil service retirement system as of January 1, 1967.

Subsection (a)(2) provides for subsequent cost-of-living adjustments effective the first day of the third month beginning after the price index shows a rise of at least 3 percent for 3 consecutive months over the base month. All annuities which commence on or before such effective date will be increased by the percentage rise in the price index. An increase will be computed on the highest percent of the 3 consecutive months, adjusted to the nearest one-tenth of 1 percent. The month forming the basis for the increase will become the new base month for determining the next cost-of-living adjustment. Subsection (a)(2) will produce a 3.9-percent cost-of-living adjustment as of May 1, 1968.

Subsection (a)(2) preserves the cost-of-living adjustment principle for future retirees and survivors of deceased employees but restricts the amount of increase to only that percentage rise occurring on or after the commencing dates of their annuities.

Subsection (b)(1) guarantees that survivor annuitants shall receive the increases granted the annuitant up to the time of his death.

Subsection (b)(2) preserves for surviving children whose annuity commences after January 1, 1967, the 2- and 1-percent increases reflected in the catchup increase granted their parents under subsection (a)(1).

Subsection (b)(3) provides that the fixed dollar amounts for children survivors shall be increased along with the cost-of-living adjustments granted under section 291.

Subsection (c) offsets any cost-of-living adjustment granted prior to this amendment. This involves the 4.6-percent increase granted on April 1, 1967, to 1965 retirees and their survivors. The rise in the consumer price index on which the 4.6-percent increase was based is covered by the catchup increase provided under subsection (a)(1).

Subsection (d) changes the definition of the term "price index" from the annual average of the consumer price index over a calendar year to that published monthly by the Bureau of Labor Statistics. It further defines the month used in determining that the price index warrants a cost-of-living adjustment as the "base month." The base

month for the next increase, if any, is February 1968 which is established as a result of the operation of subsection (a)(2).

Subsection (e) retains the usual language precluding an increase on any additional portion of annuity that was purchased by a retiree by voluntary contributions.

Subsection (f) retains the customary requirement that the monthly annuity, as increased, be adjusted to the nearest dollar. It provides, however, for reflecting an increase of at least \$1 per month, wherever an increase would not otherwise cause a small annuity to be adjusted to the next higher dollar.

#### FISCAL DATA

Enactment into law of this measure will involve a total additional cost for the first year in the approximate amount of \$142,700.

#### DEPARTMENTAL DATA

This bill is part of the administrative legislative program for the 90th Congress as is evidenced by letter dated February 27, 1967, from the Director of the Central Intelligence Agency which is attached hereto and made a part of this report. It is pointed out that the letter refers to a bill of broader scope than here reported by the committee.

CENTRAL INTELLIGENCE AGENCY,  
OFFICE OF THE DIRECTOR,  
*Washington, D.C., February 27, 1967.*

Hon. JOHN W. McCORMACK,  
*Speaker of the House of Representatives,*  
*Washington, D.C.*

DEAR MR. SPEAKER: This letter transmits for the consideration of the Congress a draft bill to amend the Central Intelligence Agency Act of 1949, as amended, and for other purposes. The proposed bill provides for technical amendment to legislative authorities pertaining to the Central Intelligence Agency. Some of the provisions are necessary to achieve desired legal clarification of existing Agency authority. Others are necessary to provide authorities which have been granted by Congress elsewhere in Government for travel, medical care, claims, retirement, and similar housekeeping-type programs.

We consider enactment of the proposed bill to be essential to the effective performance of our mission and would appreciate early and favorable consideration. The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill to the Congress from the standpoint of the administration's program.

Respectfully,

RICHARD HELMS, *Director.*

# CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported.

## THE BILL AS REPORTED

## EXISTING LAW

Central Intelligence Agency Retirement Act of 1964 for Certain Employees (78 Stat. 1043; 50 U.S.C. 403 note).

Sec. 291. (a) On the basis of determinations made by the Civil Service Commission pursuant to section 18 of the Civil Service Retirement Act, as amended, pertaining to per centum change in the price index, the following adjustments shall be made:

(1) Effective April 1, 1966, if the change in the price index from 1964 to 1965 shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2, 1965, shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

(2) Effective April 1 of any year other than 1966 after the price index change shall have equaled a rise of at least 3 per centum, each annuity payable from the fund which has a commencing date earlier than January 2 of the preceding year shall be increased by the per centum rise in the price index adjusted to the nearest one-tenth of 1 per centum.

That section 291 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (78 Stat. 1043; 50 U.S.C. 403 note) is amended to read as follows:

"Sec. 291. (a) On the basis of determinations made by the Director pertaining to per centum change in the price index, the following adjustments shall be made:

"(1) Each annuity payable from the fund on January 1, 1967, shall be increased on that date by (a) 12.4 per centum for annuities which commence on or before January 1, 1966, or (b) 4.9 per centum for annuities which commence on or between January 2, 1966, and January 1, 1967.

"(2) Each month beginning with November 1966, the Director shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective

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(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

(1) Effective from the date of the first increase under this section, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commenced the day after the annuitant's death, shall be increased as provided in subsection (a)(1) or (a)(2) if the commencing date of annuity to the annuitant was earlier than January 2 of the year preceding the first increase.

(2) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commences the day after the annuitant's death and after the effective date of the first increase under this section, shall be increased by the total per centum increase the annuitant was receiving under this section at death.

(3) For purposes of computing an annuity which commences after the effective date of the first increase under this section to a child under section 221(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221(c) shall be increased by the total per

THE BILL AS REPORTED

date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows:

(1) Effective from its commencing date, an annuity payable from the fund to an annuitant's survivor (other than a child entitled under section 221(c)), which annuity commences the day after the annuitant's death and after January 1, 1967, shall be increased by the total per centum increase the annuitant was receiving under this section at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase the annuitant would have received.

(2) Effective from its commencing date, an annuity payable from the fund to a child under section 221(c), which annuity commences the day after the annuitant's death and after January 1, 1967, shall be increased by (a) 2 per centum if the annuity from which it is derived commenced on or before January 1, 1966, or (b) 1 per centum if the annuity from which it is derived commenced on or between January 2, 1966, and January 1, 1967.

(3) For the purposes of computing an annuity which commences after January 1, 1967, to a child under section 221(c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221(c) shall be increased by 10.2 per centum plus the total per centum

increase allowed and in force under section 291(a)(2) for employee annuities, and, in the case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221(c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase the annuitant would have received.

“(c) Any annuity increased under this section shall be decreased by the amount of increase in force and effect with respect to that annuity under section 291 prior to the date of enactment of this subsection.

“(d) The term ‘price index’ shall mean the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics. The term ‘base month’ shall mean the month of October 1966 for the first increase under section 291(a)(2) and thereafter the month for which the price index showed a per centum rise forming the basis for a cost-of-living annuity increase.

“(e) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

“(f) The monthly installment of this annuity after adjustment under this section shall be fixed at the nearest dollar, except that such installment shall, after adjustment reflect an increase of at least \$1.”

centum increase allowed and in force under this section and, in case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221(c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death. Effective from the date of the first increase under this section, the provisions of this paragraph shall apply as if such first increase were in effect with respect to computation of a child's annuity under section 221(c) which commenced between January 2 of the year preceding the first increase and the effective date of the first increase.

None.

None.

(c) No increase in annuity provided by this section shall be computed on any additional annuity purchased at retirement by voluntary contributions.

(d) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar.